

AMENDED IN ASSEMBLY JUNE 28, 2011

AMENDED IN ASSEMBLY JUNE 20, 2011

AMENDED IN SENATE APRIL 14, 2011

AMENDED IN SENATE MARCH 24, 2011

## SENATE BILL

**No. 773**

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### Introduced by Senator Negrete McLeod

February 18, 2011

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An act to amend Sections ~~5094~~ 5093, 5094, and 5094.5 of, to amend and repeal Section 5094.6 of, and to add Section 5094.3 to, the Business and Professions Code, relating to accountants.

#### LEGISLATIVE COUNSEL'S DIGEST

SB 773, as amended, Negrete McLeod. Accountants.

Existing law provides for the licensure and regulation of accountants by the California Board of Accountancy in the Department of Consumer Affairs. Existing law requires an applicant for an accountancy license to complete a minimum of 24 semester units in accounting subjects and a minimum of 24 semester units in business-related subjects, or as calculated in quarter units. Existing law, on and after January 1, 2014, requires an applicant for an accountancy license to complete an additional 10 units in ethics study and 20 units in accounting study, and establishes ~~a~~ *an advisory* committee to recommend to the board ethics study guidelines, to be adopted by the board by regulation.

This bill would set forth the ethics study requirements that, on and after January 1, 2014, would apply to an applicant for an accountancy license, as specified. *the bill would authorize the advisory committee described above to determine that a course or portion of a course satisfies the ethics study requirements.* The bill would make conforming

changes to related provisions and delete the requirement that the board adopt these provisions by regulation.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     *SECTION 1. Section 5093 of the Business and Professions*  
2     *Code is amended to read:*

3     5093. (a) To qualify for the certified public accountant license,  
4     an applicant who is applying under this section shall meet the  
5     education, examination, and experience requirements specified in  
6     subdivisions (b), (c), and (d), or otherwise prescribed pursuant to  
7     this article. The board may adopt regulations as necessary to  
8     implement this section.

9     (b) (1) An applicant for admission to the certified public  
10    accountant examination under the provisions of this section shall  
11    present satisfactory evidence that the applicant has completed a  
12    baccalaureate or higher degree conferred by a degree-granting  
13    university, college, or other institution of learning accredited by  
14    a regional or national accrediting agency included in a list of these  
15    agencies published by the United States Secretary of Education  
16    under the requirements of the Higher Education Act of 1965 as  
17    amended (20 U.S.C. Sec. 1001, et seq.), or meeting, at a minimum,  
18    the standards described in subdivision (c) of Section 5094. The  
19    total educational program shall include a minimum of 24 semester  
20    units in accounting subjects and 24 semester units in ~~business~~  
21    ~~related~~ *business-related* subjects. This evidence shall be provided  
22    at the time of application for admission to the examination, except  
23    that an applicant who applied, qualified, and sat for at least two  
24    subjects of the examination for the certified public accountant  
25    license before May 15, 2002, may provide this evidence at the  
26    time of application for licensure.

27    (2) An applicant for issuance of the certified public accountant  
28    license under the provisions of this section shall present satisfactory  
29    evidence that the applicant has completed at least 150 semester  
30    units of college education including a baccalaureate or higher  
31    degree conferred by a college or university, meeting, at a minimum,  
32    the standards described in Section 5094, the total educational  
33    program to include the units described in subdivision (b) of Section

~~5094 and a minimum of 24 semester units in accounting subjects and, 24 semester units in business-related business-related subjects, and, after December 31, 2013, shall also include a minimum of 10 units of ethics study consistent with the requirements set forth in Section 5094.3 and 20 units of accounting study consistent with the regulations promulgated under subdivision (c) of Section 5094.6. This evidence shall be presented at the time of application for the certified public accountant license. Nothing herein shall be deemed inconsistent with Section 5094 or 5094.6. The Advisory Committee on Accounting Ethics Curriculum established under Section 5094.5 may determine that a course or a portion of a course satisfies the ethics study requirement. Nothing herein shall be construed to be inconsistent with prevailing academic practice regarding the completion of units.~~

(c) An applicant for the certified public accountant license shall pass an examination prescribed by the board.

(d) The applicant shall show, to the satisfaction of the board, that the applicant has had one year of qualifying experience. This experience may include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills. To be qualifying under this section, experience shall have been performed in accordance with applicable professional standards. Experience in public accounting shall be completed under the supervision or in the employ of a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy. Experience in private or governmental accounting or auditing shall be completed under the supervision of an individual licensed by a state to engage in the practice of public accountancy.

(e) Applicants completing education at a college or university located outside of this state, meeting, at a minimum, the standards described in Section 5094, shall be deemed to meet the educational requirements of this section if the board determines that the education is substantially equivalent to the standards of education specified under this chapter.

#### ~~SECTION 1.~~

SEC. 2. Section 5094 of the Business and Professions Code is amended to read:

1     5094. (a) In order for education to be qualifying, it shall meet  
2 the standards described in subdivision (b) or (c) of this section.

3     (b) At a minimum, education—~~must~~ *shall* be from a  
4 degree-granting university, college, or other institution of learning  
5 accredited by a regional or national accrediting agency included  
6 in a list of these agencies published by the United States Secretary  
7 of Education under the requirements of the Higher Education Act  
8 of 1965 as amended (20 U.S.C. Sec. 1001, et seq.) and, after  
9 January 1, 2014, shall also, at minimum, include 10 units of ethics  
10 study consistent with the requirements set forth in Section 5094.3  
11 and 20 units of accounting study consistent with the regulations  
12 promulgated under subdivision (c) of Section 5094.6. The  
13 Accounting Education Advisory Committee established under  
14 Section 5094.5 may determine that a course or a portion of a course  
15 satisfies the ethics study requirement. Nothing herein shall be  
16 deemed inconsistent with prevailing academic practice regarding  
17 the completion of units: *amended (20 U.S.C. Sec. 1001 et seq.)*.

18     (c) Education from a college, university, or other institution of  
19 learning located outside the United States may be qualifying  
20 provided it is deemed by the board to be equivalent to education  
21 obtained under subdivision (b). The board may require an applicant  
22 to submit documentation of his or her education to a credential  
23 evaluation service approved by the board for evaluation and to  
24 cause the results of this evaluation to be reported to the board in  
25 order to assess educational equivalency.

26     (d) The board shall adopt regulations specifying the criteria and  
27 procedures for approval of credential evaluation services. These  
28 regulations shall, at a minimum, require that the credential  
29 evaluation service (1) furnish evaluations directly to the board, (2)  
30 furnish evaluations written in English, (3) be a member of the  
31 American Association of Collegiate Registrars and Admission  
32 Officers, the National Association of Foreign Student Affairs, or  
33 the National Association of Credential Evaluation Services, (4) be  
34 used by accredited colleges and universities, (5) be reevaluated by  
35 the board every five years, (6) maintain a complete set of reference  
36 materials as specified by the board, (7) base evaluations only upon  
37 authentic, original transcripts and degrees and have a written  
38 procedure for identifying fraudulent transcripts, (8) include in the  
39 evaluation report, for each degree held by the applicant, the  
40 equivalent degree offered in the United States, the date the degree

1 was granted, the institution granting the degree, an English  
2 translation of the course titles, and the semester unit equivalence  
3 for each of the courses, (9) have an appeal procedure for applicants,  
4 and (10) furnish the board with information concerning the  
5 credential evaluation service that includes biographical information  
6 on evaluators and translators, three letters of references from public  
7 or private agencies, statistical information on the number of  
8 applications processed annually for the past five years, and any  
9 additional information the board may require in order to ascertain  
10 that the credential evaluation service meets the standards set forth  
11 in this subdivision and in any regulations adopted by the board.

12 ~~SEC. 2.~~

13 *SEC. 3.* Section 5094.3 is added to the Business and Professions  
14 Code, to read:

15 ~~5094.3. (a) In addition to completing the minimum of 24~~  
16 ~~semester units in accounting subjects and 24 semester units in~~  
17 ~~business-related subjects, as set forth in subdivisions (b) and (c)~~  
18 ~~of Section 9.2 of Article 2 of Division 1 of Title 16 of the~~  
19 ~~California Code of Regulations, an applicant applying for licensure~~  
20 ~~as a~~

21 *5094.3. (a) An applicant for licensure as a certified public*  
22 *accountant shall, to the satisfaction of the board, provide*  
23 *documentation of the completion of an additional 20 semester units*  
24 *of accounting study and 10 semester units or 15 quarter units of*  
25 *ethics study, as set forth in Section 5094 paragraph (2) of*  
26 *subdivision (b) of Section 5093, in the manner prescribed in this*  
27 *section.*

28 ~~(b) Satisfactory evidence as to educational qualifications shall~~  
29 ~~take the form of certified transcripts of the applicant's college~~  
30 ~~record, mailed directly to the board from the educational institution;~~  
31 ~~however, in unusual circumstances the board may accept such~~  
32 ~~other evidence as it deems appropriate and reasonably conclusive.~~  
33 ~~For foreign education, in addition to certified transcripts of the~~  
34 ~~applicant's college record, satisfactory evidence shall usually take~~  
35 ~~the form of an evaluation of educational credentials by a credentials~~  
36 ~~evaluation service approved by the board.~~

37 ~~(c) For purposes of this section, one quarter unit is equivalent~~  
38 ~~to two-thirds of one semester unit.~~

39 ~~(d) On and after January 1, 2014, and until January 1, 2017, the~~  
40 ~~10 semester units or 15 quarter units of ethics study required~~

1 pursuant to subdivision (a) shall be completed from the list of  
2 course areas set forth in paragraph (2) of subdivision (c):

3 (c) On and after January 1, 2017, three of the 10 semester units  
4 or four of the 15 quarter units of ethics study required pursuant to  
5 subdivision (a) shall be met in a course or courses at an upper  
6 division level or higher course study devoted to accounting ethics  
7 or accountants professional responsibilities. The remaining seven  
8 semester units or 11 quarter units shall be completed from the list  
9 of disciplines and courses in paragraphs (1) and (2), with no more  
10 than three semester units or four quarter units from paragraph (1).

11 (1) (A) No more than three semester units or four quarter units  
12 shall be from the following disciplines:

13 (i) Philosophy:

14 (ii) Religion:

15 (iii) Theology:

16 (iv) Sociology:

17 (v) Psychology:

18 (vi) Cultural, ethnic, or diversity studies:

19 (vii) Economics:

20 (viii) Political science:

21 (B) Courses in these disciplines shall have as its course title the  
22 name of the discipline or shall, at a minimum, include the following  
23 words or terms in the course title in addition to the name of the  
24 discipline: "Introduction," "Introductory," "General,"  
25 "Fundamentals of," "Principles," "Foundation of," or "Survey of."

26 (2) Between seven and 10 semester units or between 11 and 14  
27 quarter units shall be from the following course areas:

28 (A) Business law:

29 (B) Legal environment of business:

30 (C) Accounting — ethics — or — accountant's — professional  
31 responsibilities:

32 (D) Corporate governance:

33 (E) Ethics, morals, or fraud:

34 (F) Organizational behavior:

35 (G) Human resources management:

36 (H) Management of organizations:

37 (I) Business, government, and society:

38 (J) Business leadership:

39 (K) Nonaccounting — courses — specific — to — professional  
40 responsibilities:

1     **(b) (1)** *Between January 1, 2014, and December 31, 2016,*  
2 *inclusive, an applicant shall complete 10 semester units or 15*  
3 *quarter units in courses described in subdivisions (d), (e), and (f).*

4     **(2)** *Beginning January 1, 2017, an applicant shall complete 10*  
5 *semester units or 15 quarter units in courses described in*  
6 *subdivisions (c), (d), (e), and (f).*

7     **(c)** *A minimum of three semester units or four quarter units in*  
8 *courses at an upper division level or higher devoted to accounting*  
9 *ethics or accountants' professional responsibilities.*

10    **(d)** *Between January 1, 2014, and December 31, 2016, inclusive,*  
11 *a maximum of 10 semester units or 15 quarter units, and on and*  
12 *after January 1, 2017, a maximum of seven semester units or 11*  
13 *quarter units, in courses containing the following terms in the*  
14 *course title:*

15     **(1)** *Business, government, and society.*

16     **(2)** *Business law.*

17     **(3)** *Corporate governance.*

18     **(4)** *Corporate social responsibility.*

19     **(5)** *Ethics.*

20     **(6)** *Fraud.*

21     **(7)** *Human resources management.*

22     **(8)** *Leadership.*

23     **(9)** *Legal environment of business.*

24     **(10)** *Management of organizations.*

25     **(11)** *Morals.*

26     **(12)** *Organizational behavior.*

27     **(13)** *Professional responsibilities.*

28    **(e) (1)** *A maximum of three semester units or four quarter units*  
29 *in courses taken in the following disciplines:*

30     **(A)** *Philosophy.*

31     **(B)** *Religion.*

32     **(C)** *Sociology.*

33     **(D)** *Theology.*

34     **(E)** *Psychology.*

35     **(F)** *Political science.*

36     **(G)** *Economics.*

37     **(H)** *Cultural studies.*

38     **(I)** *Diversity studies.*

39     **(J)** *Ethnic studies.*

1     (2) *To qualify under this subdivision, the course title shall*  
2     *contain one or more of the terms “introduction,” “introductory,”*  
3     *“general,” “fundamentals of,” “principles,” “foundation of,” or*  
4     *“survey of,” or have the name of the discipline as the sole name*  
5     *of the course title.*

6     ~~(f) Notwithstanding subdivision (e), applicants may obtain credit~~  
7     ~~for a~~

8     (f) A maximum of one semester unit of ethics study for  
9     completion of a course specific to financial statement audits.

10    ~~SEC. 3.~~

11    SEC. 4. Section 5094.5 of the Business and Professions Code  
12    is amended to read:

13    5094.5. (a) There is hereby created within the jurisdiction of  
14    the board the Advisory Committee on Accounting Ethics  
15    Curriculum. For purposes of this section, “committee” means the  
16    advisory committee established under this section.

17    (b) The committee shall consist of the following 11 members:

18    (1) One member appointed by the California Public Employees  
19    Retirement System.

20    (2) Two members appointed by the Regents of the University  
21    of California. These members shall be professors of business ethics  
22    or accounting who have published works on the desirability and  
23    potential contents of accounting ethics education.

24    (3) Two members appointed by the California State University  
25    Board of Trustees. These members shall be professors of business  
26    ethics or accounting who have published works on the desirability  
27    and potential contents of accounting ethics education.

28    (4) Two members representing the California Community  
29    Colleges appointed by the Board of Governors of the California  
30    Community Colleges. These members shall be instructors of  
31    business ethics or accounting.

32    (5) The Senate Committee on Rules, the Speaker of the  
33    Assembly, and the board shall each appoint one member. The  
34    members appointed by the Senate Committee on Rules and the  
35    Speaker of the Assembly shall be from organized labor or consumer  
36    advocacy organizations.

37    (6) The Governor shall appoint one California certified public  
38    accountant in public practice from a list provided by the California  
39    Society of Certified Public Accountants.



1 (c) The term of a member of the committee shall be at the  
2 pleasure of the appointing authority.

3 (d) The committee shall be subject to the Bagley-Keene Open  
4 Meeting Act (Article 9 (commencing with Section 11120) of  
5 Chapter 1 of Part 1 of Division 3 of Title 2 of the Government  
6 Code).

7 ~~(e) This section shall become inoperative on the later of the~~  
8 ~~following:~~

9 ~~(1) January 1, 2014.~~

10 ~~(2) The day following the date on which the committee issues~~  
11 ~~the final report required under subdivision (b) of Section 5094.6.~~

12 ~~(f)~~

13 (e) This section shall remain in effect only until January 1, 2014,  
14 and as of that date is repealed, unless a later enacted statute, that  
15 is enacted before January 1, 2014, deletes or extends that date.

16 ~~SEC. 4.~~

17 SEC. 5. Section 5094.6 of the Business and Professions Code  
18 is amended to read:

19 5094.6. (a) No later than June 1, 2012, the committee shall  
20 recommend to the board ethics study guidelines consisting of no  
21 less than 10 semester units to be included as a part of the education  
22 required under Section 5093. Ethics study may consist of academic  
23 courses, portions of courses, or independent study offered by  
24 degree-granting universities, colleges, or other institutions of  
25 learning accredited by a regional or national accrediting agency.  
26 Nothing herein shall be deemed inconsistent with prevailing  
27 academic practice regarding completion of units.

28 ~~(b) No later than January 31, 2013, the board shall adopt the~~  
29 ~~ethics study recommendations made by the committee pursuant~~  
30 ~~to subdivision (a) without substantive changes.~~

31 ~~(c)~~

32 (b) The board shall, no later than January 1, 2012, by regulation,  
33 adopt guidelines for accounting study to be included as part of the  
34 education required under Section 5093. In promulgating these  
35 regulations, the board shall consider the views of the Accounting  
36 Education Advisory Committee established under Section 5094.7.

37 ~~(d)~~

38 (c) No later than six months following the issuance of the report  
39 by the California Research Bureau regarding the Uniform  
40 Accountancy Act's 150-hour rule, the board shall hold a hearing

1 on the report. At the hearing, the board shall make  
2 recommendations, based on that report, to the National Association  
3 of State Boards of Accountancy and the American Institute of  
4 Certified Public Accountants for ensuring the relevancy of  
5 accountancy education to the modern practice of accounting and  
6 shall approve a plan for the board to seek the adoption of those  
7 recommendations and any others the board may recommend related  
8 to enforcement and Internet disclosure.

9 (e)

10 (d) For purposes of this section, the following definitions shall  
11 apply:

12 (1) Except as provided in subdivision (c), “committee” means  
13 the Advisory Committee on Accounting Ethics Curriculum  
14 established under Section 5094.5.

15 (2) “Ethics study guidelines” means the guidelines for the study  
16 of ethics adopted for California by the committee and the board  
17 consisting of a program of learning that provides students with a  
18 framework of ethical reasoning, professional values, and attitudes  
19 for exercising professional skepticism and other behavior that is  
20 in the best interest of the investing and consuming public and the  
21 profession. At minimum, it includes academic work or independent  
22 study and shall include a foundation for ethical reasoning and the  
23 core values of integrity, objectivity, and independence consistent  
24 with the International Education Standards-4 of the International  
25 Accountants Education Standards Board, the International  
26 Federation of Accountants Code of Ethics, and the American  
27 Institute of Certified Public Accountants Code of Professional  
28 Conduct.

29 (3) “Accounting study” means independent study or other  
30 academic work in accounting, business, ethics, business law, or  
31 other academic work relevant to accounting and business, so as to  
32 enhance the competency of students as practitioners.

33 ~~(f) This section shall remain in effect only until January 1, 2014,~~  
34 ~~and as of that date is repealed, unless a later enacted statute, that~~  
35 ~~is enacted before January 1, 2014, deletes or extends that date.~~